



Statement

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for

G-24 Ministerial and Governors Meeting

Toward Achieving a Better Post-COVID-19 Recovery

5 April 2021

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I wish to thank the Secretariat of the Inter-governmental Group of Twenty-Four for organizing this virtual meeting. The support of the World Bank and the International Monetary Fund for developing economies to deal with the pandemic is highly appreciated. Post-COVID-19 recovery calls for scaled-up global solidarity to provide economic relief and vaccine financing. Thanks to concerted global efforts and the record-breaking speed of vaccine development, the world is set to breathe some relief as global growth recovers. The level and quality of this recovery depend on the resources mobilized along with the vaccine rollout and access.

The pandemic highlighted that the spread of the virus was fast-tracked due to the high degree of international connectivity. Equally, the same international connectivity and multilateralism are key to winning the fight against the pandemic that respects no immigration borders or trade barriers. Vaccine solidarity, rather than nationalism, is what the world needs today to ensure everyone is safe. Indifference to vaccine inaccessibility in one country could quickly come back to haunt the whole world. Therefore, Post-COVID-19 recovery will be shaped by the degree of global solidarity in mobilizing resources and getting the vaccine to all those who need it.

Uneven and incomplete recovery

Economic recovery is expected to be uneven and incomplete, with some long-run negative impacts of rising poverty, inequalities and revenue pressures. According to the IMF, the global economy is projected to grow by 5.5 percent in 2021 following a slump of -3.5 percent in 2020. Recovery in Emerging Market and Developing Economies is expected to be even faster at 6.3 percent in 2021, following a decline of negative 2.4 percent. The outlook reflects the positive effects of the vaccine rollouts and the additional policy supports being deployed by major advanced economies. Yet, despite the rosier expectations for 2021, IMF projections show that

over 150 economies are still expected to have per capita incomes below their 2019 levels in 2021.

The economic outlook for IsDB Member Countries (MCs) is less vibrant. Projections show that a total of 44 out of 57 MCs were likely in recession in 2020 and consequently had their per-capita incomes below their 2019 levels. Growth forecasts are also more muted for IsDB MCs, where average growth is projected at only 4.2 percent in 2021. The slower path of recovery forecast for IsDB MCs reflects the subdued performance expected in oil exporting MCs and more challenging access to vaccine in many MCs.

The pandemic-induced global recession has reversed many of the gains recorded in the fight against poverty. The combined health and economic crises caused by COVID-19 are pushing many people, especially in the least developed countries, into poverty. For the first time in 20 years, global extreme poverty is expected to rise. Estimates suggest the additional poverty count attributable to COVID-19 could be between 119 and 124 million people in 2020 and up to 163 million in 2021.

Equally challenging is the rising inequalities. Prior to the pandemic, inequality was affecting more than two thirds of the world's population, with the richest one percent increasing their income share, while the bottom 40 percent earning less than a quarter of income in the countries surveyed (UN World Social Report 2020). This situation has been exacerbated by the pandemic, as it had a disproportionately negative effect on the incomes of vulnerable groups, including women, migrant workers, those employed in lower-skilled occupations or informal sectors, and those with limited assets. Low-income countries would be severely affected due to both weak social safety nets and limited revenue resources to support the most vulnerable.

Revenue pressure is the other long-run impact of the pandemic. Low-income countries already face a daunting challenge to find an additional 15 percent of GDP to achieve the target of some Sustainable Development Goals (SDGs). For example, to attain universal health coverage, it is recommended that governments spend at least 5 percent of GDP on health. The Abuja Declaration (WHO, 2011) set a target of allocating 15% of the GDP to improve the health sector in the African Union Countries, but most have not achieved this target. Now, with the pandemic severely affecting taxable income, trade and consumption, countries need to find smart avenues for mobilizing resources to finance post-COVID-19 recovery.

Resource mobilization

Resource mobilization for Post-COVID-19 recovery calls for both smart revenue increases and wise spending. With debt reaching distress levels and debt sustainability being questioned in many developing economies, smart resource mobilization that increases efficiency and mitigates risks on debt crisis is being explored as an option for financing the post-COVID-19 recovery. Globally, smart, health and environmental taxes and allowing for a fair share for

developing economies in international corporate tax revenues are being advocated. Since 2015 the G-24's Base Erosion and Profit Shifting (BEPS) Project was envisaged to address, among others, allocation rights and tax competition affecting the fair of countries, including developing economies in international corporate tax especially in light of the digital economy. Developing economies continue to look to G-24 to reach a consensus that will improve collection of international corporate tax to finance Post-COVID-19 recovery.

At IsDB Group level, several programs involving direct financing, risk mitigation and efficient use of resources were implemented to support member countries raise funding and expand fiscal space for financing post-COVID-19 recovery. As of 9 March 2021, under its Strategic Preparedness and Response Program (SPRP) IsDB Group has committed \$3.58 billion for COVID-19 response of which \$2.3 billion was approved. This approved financing has created over 52.3 million beneficiaries including 8.9 million households in acute food insecurity being supported with food rations to meet their nutritional needs. It generated 59,600 jobs for revival of priority value-chains and economic sectors, contributed to capacity of 23,596 health workers to manage COVID-19 response, financed 20,000 micro-enterprises or households through micro-finance services and granted financial assistance to 7,420 small or medium enterprises.

Under risk mitigation to mobilize funding for its member countries, IsDB together with its credit arm of Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) has launched \$2 billion COVID-19 Guarantee Facility (CGF). This facility works to mitigate risks to mobilize co-guarantors and external financiers for potential transactions that are critically needed by the member countries. Similarly, the trade arm of IsDB, International Islamic Trade Finance Corporation (ITFC), has joined Afrexim Bank and Arab Bank for Economic Development in Africa (BADEA) to provide \$1.5 billion facility to African countries to serve as a cushion against the economic impact of COVID-19.

Beside direct financial intervention and risk mitigation for mobilizing resources externally, efficient and timely use of resources also creates savings and fiscal space for countries. For this purpose, IsDB has implemented fast-track procurement arrangements for all SPRP projects using simplified procurement modalities. These fit-for-purpose procurement arrangements helped MCs to access critically required goods and services in a timely manner while ensuring value for money. In cases, where local capacity constraints exist, the Bank has facilitated and provided hands-on-support in the procurement process to accelerate disbursements and save cost and life that could be adversely affected due to project delays.

Vaccine access

The global recovery could only be meaningful when vaccine solidarity is chosen over vaccine nationalism. With vaccine nationalism, low-income MCs could be at a disadvantage not only due to their inability to compete on purchases but also due to their limited logistics capacity to handle and distribute the vaccines. A study by Hafner *et al.* in 2020 showed that vaccine nationalism

could cost the global economy up to \$1.2 trillion a year in GDP terms. Therefore, the global solidarity that started with funding vaccine development and setting up COVAX mechanism should be further expanded to achieve better Post-COVID-19 recovery.

With more successful trials of vaccine candidates, many high-income countries and some developing countries have started vaccinating their populations. At the pace of roll out witnessed early March 2021, over 20 percent of the world population will be inoculated by the end of 2021. However, due to disparities and vaccine access challenges, some countries and sectors of the population may end up waiting until 2024 before they obtain the necessary vaccinations. For instance, all high-income IsDB Member Countries (MCs) have Advance Purchase Agreements (APAs) with vaccine producers to inoculate at least 20 percent of their population, while most of the low-income MCs will have to wait for the COVAX rollout. Besides supply and capacity constraints, finance is holding many developing economies from accessing the vaccines. The financial burden on procurement and rollout of vaccines using the lowest price alternative currently available is estimated at \$10.9 billion to achieve full community protection against the virus in IsDB member countries. This is based on the assumption that a vaccinated person does not require further inoculation to protect against new variants of the virus.

In this regard, multilateral development banks, including the Islamic Development Bank (IsDB), have stepped up efforts to lessen the burden of vaccine financing on their member countries. Under its Strategic Preparedness and Response Plan (SPRP), which was launched in early 2020, covering health emergency responses, economic restoration and recovery, IsDB has extended \$2.3 billion to support its member countries in dealing with the impact of the pandemic. Using its experience, IsDB has also crafted its Vaccine Access Facility (IVAC) which covers the phases of vaccine development, manufacturing, procuring, and delivery to its end beneficiaries. This holistic approach would ensure that the requests of member countries will be met towards the procurement of COVID-19 vaccines in an efficient manner. In addition, the IVAC approach will ensure long term vaccine resilience and self-reliance among our member countries through technology transfer and capacity building in vaccine development and manufacturing.

Concluding remarks

The COVID-19 pandemic has shown that we are living in a global village and that no nation could be immune if others are not. The global solidarity that provided funds for vaccine development and economic relief should be enhanced and sustained for Post-COVID-19 Recovery. Without sustained solidarity, the recovery will not only be challenging but will reverse progress made in fighting poverty and will increase inequalities. International support remains key, but domestic resource mobilization is essential for sustainability. Wise spending for health, education and ecological well-being should be promoted for building back better and greener, towards achieving the Sustainable Development Goals by 2030. For this, we will need to expand our thinking and partners and action the 5Ps: Public, Private, People, Philanthropies Partnerships that constitute the entry point to a successful “Road to the SDGs”.